

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7345**

**BILL NUMBER:** SB 473

**NOTE PREPARED:** Jan 8, 2004

**BILL AMENDED:**

**SUBJECT:** Cap on Property Tax Increases.

**FIRST AUTHOR:** Sen. Miller

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☐ FEDERAL

**IMPACT:** State & Local

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures		(4,600,000)	(18,800,000)
Net Increase (Decrease)		4,600,000	18,800,000

LOCAL IMPACT	CY 2004	CY 2005	CY 2006
Local Revenues		(67,400,000)	(139,300,000)
Local Expenditures			
Net Increase (Decrease)		(67,400,000)	(139,300,000)

**Summary of Legislation:** This bill limits the assessed value growth quotient used in determining maximum levies to 2%.

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:** The maximum levy reductions contained in this bill would also result in a savings of PTRC and Homestead Credit expenditures. PTRC and Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any savings of

these credits would ultimately benefit the state General Fund. **The savings are estimated at \$4.6 M in FY 2005, \$18.8 M in FY 2006, and \$33.9 M in FY 2007.**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, as amended by SEA 1 (2004), most maximum levies are equal to the previous year's actual levy multiplied by a growth factor that is equal to most recent six-year average percentage growth in Indiana nonfarm personal income. The factor is capped at 6%. For CY 2004 that factor is a 4.7% increase. Beginning with taxes paid in CY 2005, this bill would change the growth factor cap to 2%.

This bill would apply to maximum levies for:

- Civil taxing units;
- County Children with Special Health Care Needs Funds;
- County Family and Children's Funds;
- County Psychiatric Residential Treatment Funds;
- County Medical Assistance to Wards Funds; and
- Township Firefighting Funds.

The bill would not affect the maximum levies for the Hospital Care for the Indigent Fund or any school fund.

This analysis assumes that the income-based growth factor will remain at 4.7% and would always be capped at 2% under the bill. The 2004 maximum levies were estimated based on the changes in SEA 1 (2004) and based on actual 2003 levy data where available, and 2002 levy data where the 2003 levies have not yet been certified. The maximum levies under current law for 2004 and beyond were estimated with a growth of 4.7% per year. The maximum levies for 2005 and beyond were then re-estimated using the 2004 maximum levy as a base with a growth factor of 2%. The result is an overall reduction in maximum levies of approximately \$67.4 M in CY 2005, \$139.3 M in CY 2006, and \$215.9 M in CY 2007. The reduction by type of maximum levy is as follows.

<b>Max Levy Type</b>	<b>CY 2005</b>	<b>CY 2006</b>	<b>CY 2007</b>
Civil Taxing Units	\$64,658,000	\$133,648,000	\$207,199,000
Children w/ Health Needs	48,000	99,000	153,000
Family and Children/ Psych. Treatment	2,345,000	4,848,000	7,516,000
Med Asst. to Wards	199,000	411,000	637,000
Township Fire	137,000	283,000	439,000
<b>Total</b>	<b>\$67,387,000</b>	<b>\$139,289,000</b>	<b>\$215,944,000</b>

It is further assumed that since maximum levies were reduced to actual levy amounts plus growth in CY 2004, most or all units' levies will be at their maximum permissible amounts. This means that a reduction in the maximum levy in 2005 and later years can be directly translated into a reduction of gross levies or

overall revenues for local units.

**Net taxpayer savings (gross levies minus PTRC and Homestead Credit savings) is estimated at about \$53.5M in CY 2005, \$110.7 M CY 2006, and \$171.6 M in CY 2007.**

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Local civil taxing units.

**Information Sources:** Local Government Database.

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